

Service Date: November 6, 1991

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Application)	
of the MONTANA POWER COMPANY for)	UTILITY DIVISION
Authority to Incur up to)	
\$210,000,000 PRINCIPAL AMOUNT OF)	DOCKET NO. 91.10.43
FIRST MORTGAGE BONDS.)	
_____)	DEFAULT ORDER NO. 5585

1. On October 23, 1991, The Montana Power Company ("Applicant"), a corporation organized and existing under the laws of the State of Montana, filed with the Montana Public Service Commission its Application pursuant to Section 69-3-501 through Section 69-3-507 of the Montana Code Annotated (MCA) seeking an order authorizing it to issue not more than \$210,000,000 principal amount of First Mortgage Bonds (New Bonds), which may be designated "Secured Medium Term Notes." The Applicant will issue these bonds in from one to five series, each of which may be issued pursuant to separate Supplemental Indentures.

2. The Application is supported by exhibits and data in accordance with Commission practice and rules and regulations governing such guarantees by public utilities operating within the State of Montana.

3. The Application states that Applicant is a public utility as defined in Section 69-3-101 MCA, in that it furnishes electric and natural gas service in the State of Montana; that the Applicant's principal executive office is at 40 East Broadway, Butte, Montana; and that the Applicant is duly qualified to do business in the States of Montana, Wyoming and Idaho.

For detailed information with respect to the general character of the Applicant's business and the territory served by it, reference is made to the Application.

FINDINGS OF FACT

1. The Applicant is a corporation organized and existing under and by virtue of the laws of the State of Montana and is qualified to transact business in the State of Montana.

2. The Applicant is a public utility as defined in Section 69-3-101, MCA, and is engaged in furnishing electric and natural gas service in Montana.

3. The Commission has jurisdiction over the subject matter of the Application under Section 69-3-501, MCA.

4. The Application states that the Applicant intends to incur up to \$210,000,000 of First Mortgage Bonds over a period of approximately two years beginning on the date of this order and ending on January 1, 1994.

5. The proceeds from the sale of the Bonds will be used by the Applicant to redeem, prior to maturity, three outstanding series of First Mortgage Bonds (Outstanding Bonds) in the aggregate principal amount of \$150,000,000. The redemption price of the Outstanding Bonds, including redemption premium of approximately \$6,866,000 amounts to \$156,866,000. Because these New Bonds will bear interest at a lower rate than the rate to be borne by the outstanding bonds, this refunding including the amortization of the redemption premium and issuance costs of the New Bonds will reduce the overall cost of the Applicant's debt. The Applicant also estimates that its construction budget and other debt redemption will require the balance of these funds submitted for in the Application.

The New Bonds will consist of from one to five series of First Mortgage Bonds, which are is secured by mortgageable property and which may be designated "Secured Medium Term Notes", in an aggregate principal amount not to exceed \$210,000,000. Each series will have a maturity of not less than one year and not more than 30 years. The decisions as to the number of series and the principal amount and maturity of each series will be made in the light of market conditions at the time of each sale. The New Bonds of each series may be issued pursuant to separate Supplemental Indentures to the Company's Mortgage and Deed of Trust and will be secured equally with all other First Mortgage Bonds outstanding and to be outstanding under the Mortgage.

6. The Applicant will inform the Commission regarding the

interest rate to be borne by each series of the New Bonds, the price to be received by the Applicant for each new series of New Bonds, and the final maturity of each, and their reoffering price to the public, all of which will be determined on the basis of market condition at the time of the sale of each series. The spread between the rate of interest to be borne by each series of the New Bonds and U.S. Treasury securities of comparable maturity will not exceed 3.0%.

7. Public notice of this Application was given by its inclusion on the Commission's agenda for October 28, 1991.

8. The Applicant furnished complete financial data with its Application in accordance with developed practice of the Commission. The Application sets forth a certified copy of the appropriate corporate resolution pertaining hereto.

CONCLUSION OF LAW

1. The securities transactions proposed by the Application, as hereinafter authorized, will be for a lawful purpose and are consistent with the public interest, the same are necessary or appropriate for and consistent with the proper performance by the Applicant of service as a public utility and the aggregate amount of the securities outstanding and proposed to be outstanding will not exceed the fair value of the properties and business of the Applicant.

ORDER

1. The Application of The Montana Power Company for authority to issue and sell, from one to five series of its First Mortgage Bonds in the aggregate principal amount of not more than \$210,000,000 over a period of approximately two years which will begin on the date of this order and expire on January 1, 1994, is approved.

2. In accordance with Section 69-3-507, MCA neither the issuance of securities by the Applicant pursuant to the provisions of this Order, nor any other act or deed done or performed in connection therewith, shall be construed to obligate the State of Montana to pay or guarantee, in any manner whatsoever, any security authorized, issued, assumed or guaranteed under the provisions of Section 69-3-501 through Section 69-3-507, MCA, inclusive.

Issuance to this Order does not mean acceptance of the Applicant's exhibits or other material accompanying the Application for any purpose other than the issuance of this Order.

DONE IN OPEN SESSION at Helena, Montana this 4th day of November, 1991, by a 5-0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

HOWARD L. ELLIS, Chairman

DANNY OBERG, Vice Chairman

BOB ANDERSON, Commissioner

JOHN B. DRISCOLL, Commissioner

WALLACE W. "WALLY", MERCER, Commissioner

ATTEST:

Ann Peck
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.